AFRICAN TRADE IS CHANGING

BY JEAN-LOUIS EKRA
PRESIDENT, AFREXIMBANK
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Development economics literature suggest that international trade has been one of the key driving forces behind the growth and prosperity of nations by acting as an important linchpin for the attainment of sustainable economic growth and development of countries. This is due to the fact that international trade does not only contribute to efficient allocation and distribution of resources within and across countries, but also helps to transmit economic growth from one country or region to another through the nature and quality of goods and services traded. Records show that international trade has, by and large, been the principal driver of growth and structural transformation of many countries that are considered developed today, including the United States, United Kingdom, Canada, Australia, and Japan, among others, and widely believed to have played a key role in the recent impressive expansion and development of many emerging economies such as China, India, South Korea, Brazil, Taiwan, Hong Kong, Malaysia, etcetera.

Africa has not been left out in international trade. However, African trade has historically been influenced by its colonial past in terms of “what is traded” and “who it trades with” and has tended to show less dynamism, resulting in its limited impact on the growth and development of the Continent. In this regard, the Continent’s exports sector has been largely dependent on agricultural, oil & gas and minerals commodities while imports have comprised mainly of manufactured products. Further, in terms of import sources and export destinations, Africa’s traditional trading partners have been the United States, United Kingdom, France, Germany and others in Europe and North America. Over the last three decades, however, many African governments have been making efforts to diversify their exports away from commodities into manufactured products, reduce the dependency on manufactured imports, and diversify export destinations and import sources through active pursuit of new trading relationships.

In the light of these developments, some key questions that come to mind include: “to what extent has African trade changed over the past three decades?”; “are there new trading patterns emerging?”; “how effective have the regional economic communities been as far as the promotion of intra-African trade is concerned?”; among other critical questions of relevance to the evolution of African trade. These pertinent questions seek to unravel why Africa does not seem to have benefitted much from international trade in terms of the developmental impact of trade.

Studies have shown that not all countries necessarily share equally in the expected benefits from participation in international trade as such gains depend on, among others, the nature and characteristics of the goods that a country produces and trades, as well as the trade regime it adopts.

The Paper therefore seeks to address the above questions and puts into context how events in the last three decades have contributed to a gradual but steady change in the nature of African trade in terms of growth dynamics, structure or product mix and the direction of the trade. It also discusses developments in intra-African trade in the context of the increasingly important role that intra-regional trade plays, as a vehicle for harmonizing macroeconomic and structural policies, promoting large-scale investments, and ensuring economic efficiency, among others.

The Paper examines the topic “African Trade is Changing” against the background of ongoing efforts being made at the country and regional levels to promote and diversify African trade. It draws on empirical data to assess the trend in African trade over the last three
African trade is changing for the better, in terms of growth, composition and direction. Specifically, the study shows that African trade has acquired a momentum of its own as a result of wide embrace of trade-led growth strategies in Africa. Accordingly, from an average annual growth of 1.1% during 1980-1996, African trade grew significantly during 1996-2006 with an average annual growth of 10.2%. Further, sustained economic growth, continued pursuit of outward-oriented growth policies, among other factors during the past few years lifted African trade with an average annual growth of 22% during 2006-2008. The Paper therefore shows that African trade is increasing with the growth being more prominent during the last decade. In addition, the study reveals that on account of continued search for cross-border trade opportunities within the Continent, sustained efforts in deepening economic integration at the sub-regional and regional levels, improved intra-African air and shipping links, among others, intra-African trade rose more than ten-fold from US$8.5 billion in 1980 to US$95.7 billion in 2008.

This notwithstanding, its share of total African trade has remained virtually unchanged at about 10% over the last decade. Another important observation by the Study is the changing composition of African exports and imports. In this regard, the Paper shows that for 7 out of 11 countries sampled, the percentage of manufactured exports in total exports increased between 1995 and 2006 for the study, while the share of manufactures in total imports declined for 8 out of 11 countries over the same period. Further, in terms of the direction of African trade, the Study notes the emerging importance of southern countries such as China, India, Brazil, among others, as important trading partners of Africa. More specifically, the Paper shows that the share of African trade with Brazil, Russia, India and China (“the BRICs”) grew from 4.6% in 1995 to 16.2% in 2008, while trade with the traditional partners (United States, United Kingdom, France and Germany) declined from 35.7% to about 20% over the same period.

These interesting developments notwithstanding, the Paper notes that the changing trend in African trade is at a gradual pace and therefore calls for a renewed emphasis on export promotion and diversification policies and programmes by African countries and the continued active engagement and support of the Continent’s development partners and other international development agencies to galvanise the desired transformation of African trade. Further, the Paper sheds light on efforts being made by the Bank in support of ongoing efforts at promoting the expansion and diversification of African trade.

Our expectation is that this Paper will serve as a useful reference to readers, including academics, researchers, policy makers, etcetera as it sheds light on recent evolution of African trade and underscores the urgency of the need to intensify efforts at the transformation of the trade to enable the Continent benefit from its participation in global trade. The Paper benefitted from the research assistance of staff of the Research, Planning and International Cooperation Department of the Bank, as well as invaluable comments from other senior officials of the Bank and consultation with other knowledgeable external parties.

Thank you.

Jean-Louis EKRA
President, Afreximbank
July, 2010
1. INTRODUCTION

Distinguished Chairperson
Honourable Members of Parliament
Senior Government Officials and Policymakers
Members of the Royal African Society
Senior Executives of Companies
Representatives of NGOs
Ladies and Gentlemen

I take this opportunity to convey my utmost gratitude to the Royal African Society (RAS) for inviting me to share with this august body of diverse and distinguished professionals my thoughts on this important subject: “African Trade is Changing”.

When I received the invitation to speak at this prestigious Breakfast Meeting of the RAS, I readily accepted mainly because of the relevance of this subject to the Bank’s mission, which is “to stimulate a consistent expansion, diversification and development of African trade while operating as a first class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters”.

Development economics literature suggest that international trade, and intra-regional trade in particular, has been one of the key driving forces behind the growth and prosperity of nations by acting as an important linchpin for the attainment of sustainable economic growth and development of countries. This view is premised on the evidence that, aside from efficiency gains that usually arise therefrom, trade within dynamic regional groupings is increasingly becoming a vehicle for harmonizing macroeconomic and structural policies, promoting large-scale investments, and ensuring economic efficiency. Records show that international trade has, by and large, been the principal driver of growth and structural transformation of many countries that are considered developed today, including the United States, United Kingdom, Canada, Australia, and Japan, among others, and widely believed to have played a key role in the recent impressive expansion and development of many emerging economies such as China, India, South Korea, Brazil, Taiwan, Hong Kong, Malaysia, etcetera.

However, although Africa has not been left out in international trade, African trade has historically been influenced by its colonial past in terms of “what is traded” and “who it trades with” and has tended to show less dynamism, resulting in its limited impact on the growth and development of the Continent. Over the last three decades, however, many African governments have been making efforts to diversify their exports away from commodities into manufactured products, reduce the dependency on manufactured imports, and diversify export destinations and import sources through active pursuit of new trading relationships, with a view to changing the pattern of African trade.

With the foregoing in mind, I will attempt to address the theme of my paper: “African Trade Is Changing”, by delving into the following pertinent questions:

a) Are there new trade patterns emerging?
b) Is African trade still extractive-industry based?
c) Is intra-African trade increasing?
d) Are the economic communities working?

Specifically, I will elaborate on the historical factors that had shaped African trade in Section 2; discuss recent trends in African trade in Section 3; comment on the future of African trade and the opportunities arising there from in Section 4; shed light on the role of the African Export-Import Bank in the transformation of African trade in Section 5; and conclude the Paper in Section 6.
A detailed review of available data indicates that African trade continues to be highly influenced by its colonial past, especially in terms of items traded and destination. Economic literature suggests that for developing economies, national export earnings account for a very large proportion of variations in the level of national trade, that is, the sum of exports and imports. This is on account of the fact that, for most capital-deficient developing economies with limited access to external credits, export receipts appear to be the most reliable and sustainable source of financing for imports. Thus, for many developing economies, periods of low or declining export earnings are characterized by low imports and consequently low levels of trade. In other words, for most African countries high exports imply higher levels of imports and total trade. Africa’s comparatively poor trade performance during the last three decades has thus been partly traced to the performance of its export sector. The influence of exports on the trade performance of many developing economies can therefore not be over-emphasized. Accordingly, much of my references to changes in African trade relate to changes in the export sub-sector.

During the colonial era, capital investments in the trade sector and the export subsector in particular were encouraged in agriculture and a few natural resource extractive industries, such as metals and minerals. The prime objective for promoting such investments was to generate raw materials to feed manufacturing industries of the colonial powers. This led to concentration of activity in the natural resource extraction industries, and eventual over-dependence of Africa’s exports on the production and export of commodities as shown in Table 1.

Table 1: Concentration of Africa’s Export Receipts, 2007

<table>
<thead>
<tr>
<th>Measure</th>
<th>No. of Countries</th>
<th>% of African Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependence on Petroleum for &gt; 70% of Export Revenues</td>
<td>6</td>
<td>11.3</td>
</tr>
<tr>
<td>Dependence on one Non-fuel commodity for &gt; 50% of Export Revenues</td>
<td>22</td>
<td>41.5</td>
</tr>
<tr>
<td>Dependence on up to 3 Non-fuel commodities for &gt; 50% of Export Revenues</td>
<td>34</td>
<td>64.2</td>
</tr>
</tbody>
</table>

Sources: 1) World Bank, World Development Indicators, 2009  
2) World Bank, African Development Indicators (various issues)

Table 1 shows that:  
Of the 54 African countries, 6, namely Algeria, Angola, Equatorial Guinea, Gabon, Liberia, and Nigeria depend on oil and gas exports for over 70% of their total merchandise export revenues; another 22 depend on a single non-fuel primary commodity for over 50% of their export earnings; and overall, 34 countries depend on up to 3 primary commodities for at least half of their foreign exchange earnings.

Africa’s exports are hardly processed. Manufactured exports are important only in a few countries, such as Tunisia, Morocco, South Africa, and Mauritius; and export of services is also low except for a few countries such as Egypt, Tunisia, Kenya, and South Africa that generate significant earnings from tourism.
Another form of export concentration observed in Africa is spatial in nature. In this regard, the different sub-regions in Africa exhibit concentrations in the commodities they export. For example, West African economies export largely oil, cocoa, cotton, coffee and rubber. For Southern African countries, it is largely minerals, such as gold, diamonds and copper. Eastern African countries specialize in exports of coffee, tea and to some extent cotton, while exports of North African economies are largely oil and gas, and fish. The above distribution and variations in origin of exports reflect divergences in geological endowments as well as climatic differences across the Continent.

In structural terms, Africa's exports are largely composed of primary commodities either of agricultural or mining origin. Available records suggest that primary commodity exports account for over 70% of total merchandise export receipts of the Continent, with oil and gas exports accounting for a share of more than 40%. This leaves the share of manufactures in total African (merchandise) exports at less than 30% as shown in Table 2.

### Table 2: Share of Manufactured Goods in Total African Merchandise Exports, %

<table>
<thead>
<tr>
<th>Region</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Africa</td>
<td>27.4</td>
<td>23.8</td>
<td>24.2</td>
<td>25.1</td>
<td>28.7</td>
</tr>
<tr>
<td>Sub- Saharan Africa</td>
<td>28.5</td>
<td>25.9</td>
<td>25.98</td>
<td>26.4</td>
<td>30.0</td>
</tr>
</tbody>
</table>

**Sources:** World Bank, *African Development Indicators* (several issues)

In terms of destination, Africa’s exports have historically been concentrated in a few markets as shown in Table 3. Specifically, OECD countries account for over 60% of total African exports; and over 50% of African economies depend on the OECD market for over 70% of their export earnings. Intra-regional trade is low, accounting for about 10% of total African trade. The observed concentration in export destination is explained largely by: colonial influences/ties; and low level of industrialization in the continent which meant that the raw commodities have to be exported for processing outside the continent.

### Table 3: Direction of African Exports, 1997-2007, %

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Distribution (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Countries</td>
<td>63.1</td>
<td>63.4</td>
<td>64.1</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>28.5</td>
<td>29.2</td>
<td>34.5</td>
</tr>
<tr>
<td>Africa</td>
<td>10.2</td>
<td>10.2</td>
<td>9.7</td>
</tr>
<tr>
<td>Asia</td>
<td>11.0</td>
<td>11.5</td>
<td>15.8</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>2.2</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Middle East</td>
<td>2.2</td>
<td>2.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Western Hemisphere</td>
<td>3.0</td>
<td>3.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Others</td>
<td>8.4</td>
<td>7.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

**Sources:** IMF, *Direction of Trade Statistics* (several issues)

### 2.2 International Commodity/Trade Agreements

Further, Africa’s trade has in the past been influenced by international commodity agreements (ICAs) as well as international trade agreements, such as the Lome/Cotonou Conventions.

#### 2.2.1 International Commodity Agreements (ICAs)

Available records show that negotiations were concluded on a large number of ICAs with “economic clauses” under UNCTAD’s “Integrated Programs for Commodities” at the close of the 1970s and early 1980s. Most of those ICAs had economic clauses with “price stability” as their main objective. However, there are today no ICAs with workable economic clauses because they (i.e., those clauses) are viewed in a negative light. Consequently, ICAs are currently focused on the provision of market information, policy discussions, and
commodity development. While some observers maintain that “economic clauses” of ICAs misled or wrongly led African countries not to diversify their export baskets, others argue that price stability or support schemes of ICAs did help Africa to benefit from better export commodity prices and earnings. It is pertinent to note, however, that there is presently no conclusive evidence as to whether ICAs are supportive of growth and development of commodity exports.

2.2.2 Lomé Convention/Cotonou Agreement

The Cotonou Agreement, which replaced the Lomé Convention on June 23, 2000, provided a built-in agenda of negotiations between the European Union (EU) and the African, Caribbean and Pacific Group of States (“ACP Group or ACP States”) for new and permanent economic partnership agreements (EPAs). EPAs are aimed at progressive removal of barriers to trade between the ACP States and the EU. They are also expected to be as flexible as possible in establishing the duration of a sufficient transitional period, the final product coverage taking into account sensitive sectors and the degree of asymmetry in the timetable for dismantling tariffs. The EPAs are thus expected to contribute to promote sustainable trade and economic growth of ACP States; improve production capacities in the ACP States; and accelerate the structural transformation and diversification of the ACP economies.

Negotiation Challenges

Negotiation of the EPAs has been dogged by several difficulties arising from sharp differences between the expectations of ACP governments and non-governmental organizations (NGOs) with regard to the objectives, structure and content of the EPAs vis-à-vis that of their EU counterpart. The primary concern of the ACP States is that the current position of the EU on the EPAs deviates from the original intent and purposes of the Cotonou Agreement (or the Lomé Convention), which were for development agreements, that is, EPAs that would support the processes of social and economic development in ACP countries.

The concern of the ACP Group is that the EU continues to focus the EPA negotiations narrowly on trade agreements which have limited capacity or potential to deliver the necessary “development” in the ACP countries.

Other worries of the ACP Group of States include:

i. the EU’s insistence on including the highly contentious Singapore Issues in the EPA negotiations;

ii. liberalization of agricultural trade in ACP States;

iii. perceived potential negative effects of some of the programmes of the EPAs on development of ACP countries, such as EPA-related loss of fiscal revenues;

iv. absence of protection for sensitive and/or special industries; and

v. lack of commitment on the part of the EU to address supply-side constraints in ACP countries, among others.

As a result of sharp differences in negotiation positions and delays in concluding the EPAs, they are not expected to positively impact African trade any time soon.

1 For more on this, see South Centre (2006:30) High Level Conference on ACP Trade Relations : The Development Challenge of Economic Partnership Agreements.
3. RECENT TRENDS IN AFRICAN TRADE

In this section, we examine recent trends in African trade in an attempt to answer the questions posed in my introduction against the background of ongoing efforts being made at the country and regional levels to promote and diversify African trade. Specifically, we will assess to what extent African trade has been impacted by the various trade promotion and diversification programmes of the last three decades in terms of growth dynamics, structure or product mix and the direction of the trade. We also examine trends in intra-African trade in the context of the increasingly important role that intra-regional trade plays, as a vehicle for harmonizing macroeconomic and structural policies, promoting large-scale investments, and ensuring economic efficiency, among others.

3.1 Expansion of African Trade

Table 4: Average Annual Growth Rates in African Trade, %

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exports</td>
<td>0.4</td>
<td>10.7</td>
<td>25.3</td>
</tr>
<tr>
<td>Total Imports</td>
<td>2.0</td>
<td>9.7</td>
<td>18.1</td>
</tr>
<tr>
<td>Total Trade</td>
<td>1.1</td>
<td>10.2</td>
<td>21.8</td>
</tr>
<tr>
<td>Intra-African Trade</td>
<td>7.2</td>
<td>9.0</td>
<td>24.0</td>
</tr>
</tbody>
</table>

Sources: Afreximbank, Annual Report (several issues)
Afreximbank (2004), Africa in Figures 2003
World Bank, World Development Indicators (several issues)

Africa’s trade with the world has been rising steadily since the mid-1980s, with the trade expanding rapidly during 1999-2008.

Table 4 and Figure 1 highlight the recent growth in African Trade. Table 4 shows a significant average annual growth in all the components of African trade during 2006-2008, compared to the average annual growths for 1996-2006 and 1980-1996.

Principal Drivers of the Trade include: (i) Improving economic and political climate in the continent; (ii) widespread pursuit of outward-oriented growth policies in Africa; (iii) surge in foreign direct investment flows into Africa, especially to the extractive industries; (iv) opening of Asian markets, especially China and India to Africa’s raw materials to support their manufacturing sector; and (v) growing emphasis of some African countries on the promotion of non-traditional exports, such as horticulture, tropical fruits, etc.

Table 4 and Figure 1 further reveal that intra-African trade has also grown significantly over the period, with its share of total African trade in the 1980s increasing by more than 100% in
the 1990s and beyond. The principal drivers of intra-African trade also include: (i) continued pursuit of export-led economic growth strategy by many African countries; (ii) continued search for cross-border trade opportunities within the Continent by African entrepreneurs and Corporates; (iii) sustained efforts in deepening economic integration at the sub-regional and regional levels; and (iv) improved intra-African air and shipping links.

Notwithstanding the significant growth in the volume of intra-African trade over the last decade, its share of total African trade has remained virtually unchanged at about 10% over the period, and compares unfavourably with figures for other regions, namely Europe (70%); North America (32%); Developing Asia (47%); and Latin America and the Caribbean (20%). These figures suggest that the integration efforts of some of the 5 sub-regional blocs (Economic Community of West African States, Southern African Development Community, Economic Community of Central African States, Arab Maghreb Union and East African Community, which are supposed to be the building blocks for the proposed African Economic Community by 2028) are not working as desired.

### 3.2 Changing Structure of African Trade

Aside from the impressive growth, the structural composition of African trade has been changing in recent times as shown for a selected number of countries in Tables 5 and 6.

Table 5 shows interesting developments with respect to the structure of exports for the 10 sample countries. Specifically, Table 5 shows that:

- The share of Food and Agric raw materials in total exports decreased for all sample countries, excepting Kenya and Zambia;

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>1,724</td>
<td>3,703</td>
<td>73</td>
<td>65</td>
<td>5</td>
<td>1</td>
<td>9</td>
<td>3</td>
<td>13</td>
<td>31</td>
</tr>
<tr>
<td>Nigeria</td>
<td>12,342</td>
<td>52,000</td>
<td>4</td>
<td>…</td>
<td>96</td>
<td>96</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>3,806</td>
<td>8,420</td>
<td>83</td>
<td>43</td>
<td>10</td>
<td>0</td>
<td>37</td>
<td>0</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Kenya</td>
<td>1,878</td>
<td>3,878</td>
<td>65</td>
<td>68</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Uganda</td>
<td>460</td>
<td>1,004</td>
<td>95</td>
<td>77</td>
<td>5</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cameroun</td>
<td>2,713</td>
<td>5,600</td>
<td>13</td>
<td>89</td>
<td>9</td>
<td>9</td>
<td>86</td>
<td>86</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Egypt</td>
<td>3,450</td>
<td>12,207</td>
<td>55</td>
<td>21</td>
<td>16</td>
<td>16</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Morocco</td>
<td>6,881</td>
<td>12,207</td>
<td>16</td>
<td>21</td>
<td>34</td>
<td>34</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Zambia</td>
<td>1,650</td>
<td>1,560</td>
<td>35</td>
<td>35</td>
<td>4</td>
<td>4</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: World Bank, World Development Indicators (several issues)
- The share of manufactures in total exports increased over the period for 7 out of the 10 sample countries;

- These trends reflect increasing processing of commodities and the growing competitiveness of African manufactures.

- We also note that exports of Fuels, Ores and Metals increased in nominal terms on account of sustained surge in FDI inflows driven by rapidly improving economic and political situation in Africa.

- We conclude that figures for Ghana, Cote d’Ivoire, Morocco, Uganda, Tanzania, and Zimbabwe, among others, reflect the changing structure of African exports.

Table 6 shows that:

- There is a gradual decline in the share of agricultural products imported into Africa as a result of increasing domestic agricultural production.

- The share of Fuels has on average increased in response to growing level of economic activity and the consequent higher demand for fuel to support it.

- Manufactured imports dominate African imports. However, its share is declining due to the sustained increase in agro-processing and local manufacturing.

- Figures for Ghana, Cote d’Ivoire, Uganda and Egypt, among others, reflect the changing structure of African imports.
### 3.3 Changing Direction of African Trade

Available data further suggest a gradual but steady change in the direction of African trade. Table 7 highlights the changing direction of African trade and the increasing importance of Africa’s trade with the BRICs. The direction of African trade and the increasing importance of the BRICs, especially China and India, as Africa’s trade partners.

### 3.4 Sub-Conclusions

The conclusions that could be drawn from the foregoing are as follows:

- African trade is still dominated by export of primary products although there has been a gradual shift from primary commodity exports in some African countries.
- There has been a significant increase in the share of manufactured exports in recent times due to (a) widespread pursuit of export-led growth strategies, and (b) growing.
- Other (Non-traditional trading partners) grew at 13.1%.
- The BRICs grew at an average annual rate of 23.7%.
- Traditional trading partners grew at an average annual rate of 7.4%.
- During 1995-2008, Africa’s trade with the BRICs has been growing at a rate higher than that of its traditional partners.
- The share of the BRICs and other non-traditional partners in total African trade has been rising.

### Table 7: Changing Direction of African Trade (US$ billions)

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</thead>
<tbody>
<tr>
<td><strong>Average Annual Growth</strong></td>
<td></td>
<td></td>
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<tr>
<td>Total African Trade</td>
<td>226.5</td>
<td>239.7</td>
<td>286.3</td>
<td>454.6</td>
<td>1,027.0</td>
</tr>
<tr>
<td>Trade with Traditional Partners **</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>% Share of African Trade</td>
<td>80.8</td>
<td>85.6</td>
<td>100.8</td>
<td>148.4</td>
<td>204.0</td>
</tr>
<tr>
<td></td>
<td>35.7%</td>
<td>35.7%</td>
<td>35.2%</td>
<td>32.6%</td>
<td>19.9%</td>
</tr>
<tr>
<td>Trade with BRICs</td>
<td>10.4</td>
<td>16.9</td>
<td>22.0</td>
<td>47.8</td>
<td>166.0</td>
</tr>
<tr>
<td>% Share of African Trade</td>
<td>4.6%</td>
<td>7.1%</td>
<td>7.7%</td>
<td>10.5%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Intra-African ***</td>
<td>21.8</td>
<td>22.8</td>
<td>26.9</td>
<td>43.2</td>
<td>563.4</td>
</tr>
<tr>
<td>% Share of African Trade</td>
<td>9.6%</td>
<td>9.5%</td>
<td>9.4%</td>
<td>9.5%</td>
<td>54.9%</td>
</tr>
<tr>
<td>Others (Non-Traditional Trading Partners)</td>
<td>113.6</td>
<td>114.4</td>
<td>136.6</td>
<td>215.2</td>
<td>563.4</td>
</tr>
<tr>
<td>% Share of African Trade</td>
<td>50.1%</td>
<td>47.7%</td>
<td>47.7%</td>
<td>47.3%</td>
<td>54.9%</td>
</tr>
</tbody>
</table>

*Estimates, **Traditional partners are UK, US, France and Germany, ***The figure for 1980 stood at US$8.5 billion

**Sources:**

1. IMF, Direction of Trade Statistics (several issues).
3. Afreximbank Annual Reports
4. InterPress Service (2009) Africa: Grasp the benefits of Trade with BRIC Emerging Market. (Available at: ipsnews.net/africa/nota.asp?)
emphasis on the development of non-traditional exports by some countries.

iii. Concerning African imports: (a) there is a gradual decline in the share of agricultural products imported into the continent as a result of increasing domestic agricultural production; and (b) although manufactured imports still dominates African imports, its share is on the decline.

iv. Thus, overall, the structural composition of African trade is changing for the better.

v. In terms of direction of trade, Southern countries, such as China, India, Brazil, among others, are becoming more important markets for African exports and import sources.

vi. With regards to the impact of regional economic communities on the level of intra-regional trade, the outcome has so far been mixed. Whereas some regional blocs, such as ECOWAS, East African Community and SADC have made some progress in promoting intra-regional trade, the other sub-regional blocs in North and Central Africa require additional effort to boost the level of trade within their blocs.

4.1 Current State of Play

Africa's share of global exports and global trade stood at respective levels of 3.44% and 3.11% in 2008. Thus, in spite of the recent growth and the gradually changing structure and direction of the trade as explained in Section 3, it could be argued that Africa's trade performance is presently below its potential given its resource endowment and pent up demand for essential imports to support sustainable growth in GDP.

The level of regional trade or intra-African trade is also below its potential and remains the lowest among all regional groupings (2006: 70% for Europe; 32% for North America; 47% for Developing Asia; 20% for Latin America and the Caribbean; and 10% for Africa).

Intra-African trade is largely constrained by limited and/or poor infrastructure --- roads and rail network, power, etc. In this regard, Capital Investments in regional infrastructure and processing facilities could boost export production and trade within the region.

In addition, we believe that integration of the regional economies could positively impact African trade. Ongoing integration efforts
at the regional and sub-regional levels should therefore be vigorously pursued to enhance intra-African trade.

4.2 Opportunities (for British / Non-African Investors)
The current state of Africa’s trade sector offers British and other Non-African investors several business opportunities. Several forms of assistance are also required as outlined below:

(a) Development of Infrastructure to Support Trade
Financing and development of public infrastructure is one area that British Engineering Firms/ ECGD/Banks/DFID could assist.

(b) Capital Investment for Processing of Commodities
British technology and capital could also be deployed to support manufacturing in Africa while earning reasonable return on such investments.

(c) Processing of African Commodities
Strategic joint ventureships between British and African companies also need to be forged to support the processing of African commodities.

(d) British Technical Assistance is also required for the building of technical expertise needed to support the transformation of African trade and regional integration. In more specific terms, Africa requires external technical assistance to simplify its customs procedures; build the necessary ICT infrastructure to support e-commerce; and establish a reliable trade payments system to support regional trade, among others.

5. THE ROLE OF THE AFRICAN EXPORT-IMPORT BANK

In line with its mission and ongoing efforts at stimulating a consistent expansion and diversification of African Trade, the Bank has been using innovative financial instruments to support the trade. Specifically, the Bank has been supporting the desired structural transformation of African exports and imports through the following programmes and facilities: (i) Exports Development Finance Programme (EDFP); (ii) Export Credit Agencies (ECA) Loans facilitation Programme; (iii) Syndication Programme; (iv) Special Risk Programme; (v) Guarantee Programme in Support of African Government’s Commitment to Project Promoters, and (vi) Investment Banking and Advisory Service (IBAS) Programme.

5.1 Afreximbank’s Export Development Finance Programme
The Export Development Finance Programme (EDFP) combines credit, risk bearing, twinning, market access as well as advisory services geared towards creating non-commodity export products for sale to a broad range of export markets.

The Bank’s EDFP is aimed directly at:

a) facilitating non-commodity export production, especially export manufacturing, targeted at exploiting certain bilateral and multilateral market access opportunities open to Africa;
b) promoting non-commodity export production, especially export manufacturing, targeted at exploiting intra-African trade opportunities;

c) fostering the implementation of regional projects, including tradable infrastructural services, that are likely to foster attainment of objectives (a) and (b) above as well as promote greater regional economic integration; and

d) boosting the “technological” content of export production and assisting the generation there from of “branded” exports, that will assist in “de-commoditising” African exports.

5.2 Export Credit Agency (ECA) Loans Facilitation Programme

Under the ECA Loans Facilitation Programme, the Bank, through its international partnership approach, selectively works with ECAs in OECD countries, to facilitate acquisition of essential goods, especially capital good imports by African entities. Through this Programme the Bank has been assisting African counterparties to procure telecoms, power, agricultural and manufacturing equipment from OECD countries as well as India and China, to expand social and economic infrastructure needed to support diversification of African exports and economies.

Detailed information on these and other programs and facilities of the Bank could be accessed at www.afreximbank.com.

CONCLUSIONS

Afreximbank recognizes the indispensable contribution of a vibrant trade and export sector in particular to efforts at maintaining rapid and sustainable economic growth and development. It is worth emphasizing, however, that sustainable growth and desirable structural transformation of the trade sector require capital investments and technical expertise.

The discussions in Sections 3 and 4 suggest that African trade is changing for the better, but at a gradual pace. The desired structural transformation of African trade requires the continued support of Africa’s development partners and international development agencies in the North, including Britain.

Consistent with its mandate, Afreximbank deems it an honorable duty to mobilize African and non-African resources and partnerships to support the desired structural transformation and diversification of African trade and economies. The Bank therefore invites British policy makers, bilateral and international development agencies, NGOs and the business community participating in this meeting to collaborate with it to promote the development of African trade and economies for the well-being of Africa and its people.

I take this opportunity to thank the organisers and sponsor of this event.

Thank you all for listening!!

Jean-Louis EKRA
President, Afreximbank,
London,
February 25, 2010
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BY JEAN-LOUIS EKRA

PRESIDENT, AFREXIMBANK